

LOUISIANA MUSEUM FOUNDATION*Audits of Financial Statements**June 30, 2010 and 2009*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/16/11

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Independent Auditor's Report

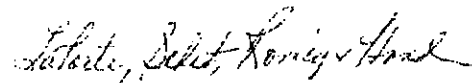
To the Board of Directors
Louisiana Museum Foundation
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Louisiana Museum Foundation (the Foundation) as of June 30, 2010 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation as of June 30, 2009 were audited by other auditors whose report dated December 16, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Museum Foundation as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

A handwritten signature in cursive script, appearing to read "Robert R. Koenig".

A Professional Accounting Corporation

December 9, 2010

LOUISIANA MUSEUM FOUNDATION
Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and Cash Equivalents	\$ 547,510	\$ 513,209
Investments	2,205,839	2,215,701
Unconditional Promises to Give, Net	115,000	152,043
Miscellaneous Receivables	5,300	412
Accrued Interest	1,500	375
Prepaid Expenses	2,219	3,025
Furniture and Office Equipment, Net	29,126	9,854
Total Assets	\$ 2,906,494	\$ 2,894,619
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 18,011	\$ 112,808
Total Liabilities	18,011	112,808
Net Assets		
Unrestricted		
Undesignated	388,120	352,438
Designated for Endowment Purposes	367,141	326,811
Designated for Reserve Purposes	153,729	153,729
Total Unrestricted Net Assets	908,990	832,978
Temporarily Restricted	1,979,493	1,948,833
Total Net Assets	2,888,483	2,781,811
Total Liabilities and Net Assets	\$ 2,906,494	\$ 2,894,619

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUSEUM FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	\$ 90,780	\$ 119,927	\$ 210,707
Grants	116,914	548,746	665,660
Gala	105,870	-	105,870
Leases and Facility Rentals	-	128,963	128,963
Royalties and Sales	100	-	100
Net Unrealized Gain on Investments	37,201	145,130	182,331
Realized Loss on Sales of Investments	(57)	-	(57)
Interest and Dividends	30,278	42,655	72,933
Miscellaneous	98	-	98
Total Revenues	381,184	985,421	1,366,605
Net Assets Released from Restrictions	954,761	(954,761)	-
Total Revenues and Support	1,335,945	30,660	1,366,605
Expenses			
Program Expenses	1,119,123	-	1,119,123
Fundraising	16,603	-	16,603
General and Administrative Expenses	124,207	-	124,207
Total Expenses	1,259,933	-	1,259,933
Change in Net Assets	76,012	30,660	106,672
Net Assets, Beginning of Year	832,978	1,948,833	2,781,811
Net Assets, End of Year	\$ 908,990	\$ 1,979,493	\$ 2,888,483

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUSEUM FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	\$ 100,788	\$ 138,790	\$ 239,578
Grants	28,012	892,627	920,639
Gala	126,993	-	126,993
Leases and Facility Rentals	-	118,550	118,550
Royalties and Sales	575	-	575
Net Unrealized Loss on Investments	(98,855)	(345,034)	(443,889)
Realized Gain on Sales of Investments	875	-	875
Interest and Dividends	50,238	105,663	155,901
Miscellaneous	962	-	962
Total Revenues	209,588	910,596	1,120,184
Net Assets Released from Restrictions	1,172,420	(1,172,420)	-
Total Revenues and Support	1,382,008	(261,824)	1,120,184
Expenses			
Program Expenses	1,373,345	-	1,373,345
Fundraising	16,503	-	16,503
General and Administrative Expenses	101,879	-	101,879
Total Expenses	1,491,727	-	1,491,727
Change in Net Assets	(109,719)	(261,824)	(371,543)
Net Assets, Beginning of Year	942,697	2,210,657	3,153,354
Net Assets, End of Year	\$ 832,978	\$ 1,948,833	\$ 2,781,811

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUSEUM FOUNDATION
Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in Net Assets	\$ 106,672	\$ (371,543)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	24,201	6,574
Net Unrealized (Gain) Loss on Investments	(182,331)	443,889
Net Loss (Gain) on Sales of Investments	57	(875)
Decrease in Unconditional Promises to Give, Net	37,043	72,912
(Increase) Decrease in Miscellaneous Receivables	(4,888)	2,341
Increase in Accrued Interest	(1,125)	(157)
Decrease (Increase) in Prepaid Expenses	806	(7)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(94,797)	52,723
Total Adjustments	(221,034)	577,400
Net Cash (Used in) Provided by Operating Activities	(114,362)	205,857
Cash Flows from Investing Activities		
Purchase of Office Equipment	(43,473)	(6,085)
Purchase of Investments	(168,452)	(291,959)
Proceeds from Sale and Maturities of Investments	360,588	375,875
Net Cash Provided by Investing Activities	148,663	77,831
Net Increase in Cash and Cash Equivalents	34,301	283,688
Cash and Cash Equivalents, Beginning of Year	513,209	229,521
Cash and Cash Equivalents, End of Year	\$ 547,510	\$ 513,209

The accompanying notes are an integral part of these financial statements.

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

Louisiana Museum Foundation (the Foundation) is a nonprofit corporation which was formed to support the Louisiana State Museum (the Museum), through fund administration, promotional activities, fund raising programs and events, and management assistance.

Organization and Income Tax

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana to provide support to the Louisiana State Museum. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Financial Statement Presentation

Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Accounting Standards Codification of the Financial Accounting Standards Board (ASC). Under the *Not-for-Profit Entities* Topic of the ASC, the Foundation classifies its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets

Receives contributions and other revenues and expends funds for the general operation of the Foundation.

Temporarily Restricted Net Assets

Grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets

Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the Foundation. The Foundation does not have any permanently restricted net assets.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the years ended June 30, 2010 and 2009, all promises to give were recognized as assets and revenues. All promises are deemed by management to be collectible.

Investments

Investments of certificates of deposit are presented in the financial statements at cost which approximates fair market value. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Gains, losses and investment income are accounted for as unrestricted, temporarily restricted or permanently restricted based on restrictions, if any, imposed by donors.

The Foundation records donated securities at their fair market value at the date of donation. Investments are shown in the financial statements at approximate current market value. Realized and unrealized gains and losses are included in the Statement of Activities.

Furniture and Office Equipment

Furniture and office equipment of the Foundation is stated at cost which was \$93,368 and \$49,895, at June 30 2010 and 2009, respectively. With the exception of computer equipment which is depreciated over three years, depreciation is provided over five to seven years by the double declining balance method. Accumulated depreciation at June 30, 2010 and 2009 was \$64,242 and \$40,041, respectively.

Contribution and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 2. Unconditional Promises to Give

Unconditional promises to give at June 30, 2010 and 2009 are as follows:

	2010	2009
Unconditional Promises to Give	\$ 115,000	\$ 153,699
Less: Unamortized Discount	-	(1,656)
Net Unconditional Promises to Give	<u>\$ 115,000</u>	<u>\$ 152,043</u>
Amount Due in:		
Less Than One Year	\$ 76,666	\$ 123,699
One to Four Years	<u>38,334</u>	<u>30,000</u>
Total	<u>\$ 115,000</u>	<u>\$ 153,699</u>

Note 3. Investments

Investments consist of the following at June 30th:

June 30, 2010	Fair Market Value	Cost or Assigned Amount	Excess of Cost Over Market Value
Certificates of Deposit	\$ 108,700	\$ 108,700	
Mutual Funds	2,097,139	2,580,287	
U.S. Government and Treasury Notes and Agency Bonds	-	-	
Total	<u>\$ 2,205,839</u>	<u>\$ 2,688,987</u>	\$ (483,148)
June 30, 2009	Fair Market Value	Cost or Assigned Amount	
Certificates of Deposit	\$ 254,855	\$ 254,855	
Mutual Funds	1,857,373	2,525,425	
U.S. Government and Treasury Notes and Agency Bonds	103,473	100,900	
Total	<u>\$ 2,215,701</u>	<u>\$ 2,881,180</u>	\$ (665,479)
Net Unrealized Gain			<u>\$ 182,331</u>

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 4. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended June 30, 2010 were as follows:

Fund	Balance June 30, 2009	Revenues	Expenses/ Reclassifications	Transfers	Balance June 30, 2010
Collections, Acquisitions and Conservation					
Conservation and Acquisitions Fund	\$ 1,850	\$ -	\$ 1,850	\$ -	\$ -
Jazz Collection	6,038	870	2,344	-	4,564
Louisiana Historical Center	4,067	4,677	6,610	-	2,134
Visual Arts	-	100	-	-	100
NEH Collection Return	-	74,680	74,680	-	-
Getty Conservation Grant	134,251	350	124,774	-	9,827
Map Collection	250	-	-	-	250
Photography Collection	4,065	-	1,578	-	2,487
New Orleans Branch Mint Coin Collection	875	-	-	-	875
Socla Painting	7,896	-	-	-	7,896
Exhibits					
Fashion Group	1,933	-	1,933	-	-
Small Permanent Exhibits	-	10,000	-	-	10,000
Hurricane Exhibit Community Contributions*	83,545	98,191	73,962	(24,040)	83,734
National Science Foundation - Hurricane	-	307,932	292,572	-	15,360
National Park Service	30,000	-	-	-	30,000
Irby - Hurricane	-	63,600	58,994	-	4,606
Traveling Exhibits	854	-	725	-	129
Washington MardI Gras	10,000	-	-	-	10,000
Educational Programming					
Louisiana State Museum Miscellaneous					
Educational and Special Project Fund	11,937	-	9,460	(1,546)	931
Musical Programming***	4,696	(100)	98	-	4,498
IMLS K-12 Education	10,945	49,370	45,810	-	14,505
LSU Seagrant	-	9,803	9,803	-	-
Other					
Joint Budget 2010	-	-	119,375	150,000	30,625
Joint Budget 2009	78,163	2,400	76,789	-	3,774
Joint Budget 2007	14,161	-	14,161	-	-
Museum Endowment Fund	1,463,780	187,435	-	-	1,651,215
Louisiana State Museum	47,314	128,963	-	(150,000)	26,277
Peg Bolton Fund	1,980	-	190	-	1,790
Berger Fund**	15,000	-	-	(5,000)	10,000
Baton Rouge Museum	1,721	7,515	5,071	-	4,165
Publications	13,712	-	3	-	13,709
Norma Eyrich Cross Cabildo Foundation	-	29,635	3,593	-	26,042
Welch Cartoon Bequest	-	10,000	-	-	10,000
Totals	\$ 1,948,833	\$ 985,421	\$ 924,175	\$ (30,586) ****	\$ 1,979,493

* The balance of the Hurricane Exhibit Community Contributions Fund includes a receivable in the amount of \$20,000. The receivable is current and has not been discounted.

** The balance of the Berger Fund includes a receivable in the amount of \$10,000. The receivable is current and has not been discounted.

*** Negative revenue is due to the write-off of an anticipated grant receivable recorded in the prior year.

**** The balance in transfers relates to net transfers out to unrestricted funds.

Note 5. Fair Value Measurements

The Foundation has adopted the provisions of the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Foundation's measurements of fair value are made on a recurring basis, and their valuation techniques for assets recorded at fair value are as follows:

Investments - The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2010:

June 30, 2010	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 108,700	\$ -	\$ -	\$ 108,700
Mutual Funds	2,097,139	-	-	2,097,139
Totals	\$ 2,205,839	\$ -	\$ -	\$ 2,205,839

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2009:

June 30, 2009	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 254,855	\$ -	\$ -	\$ 254,855
Mutual Funds	1,857,373	-	-	1,857,373
U.S. Government and Treasury Notes and Agency Bonds	103,473	-	-	103,473
Totals	\$ 2,215,701	\$ -	\$ -	\$ 2,215,701

At June 30, 2010 and 2009 there were no assets measured at fair value on a non-recurring basis.

Note 6. Louisiana State Museum Fund and Joint Budget Funds

Donations are made to the Foundation by groups or individuals who use the Museum's facilities for special functions. By Legislation, the Foundation must designate these funds for use by Louisiana State Museum for endowment, educational, acquisitions, publications, conservation, and building function support purposes. Expenditures of monies from the fund are subject to the approval of the Joint Legislative Committee on the Budget, State of Louisiana.

Note 7. Museum Endowment Fund

The Museum Endowment Fund was created by the Board to accumulate \$3,000,000 for museum support. Revenue and other support for the fund consist of contributions, investment income, and transfer of excess funds from other temporarily restricted or unrestricted funds as the Board authorizes. The Fund also consists of non-donor monies placed into the Fund from or at the request of the Louisiana State Museum to be held for long-term investment purposes. The Board has placed the following restrictions on the usages of these funds:

1. Expenditures are limited to acquisitions, conservation, exhibitions, public programs, and publications.
2. No expenditures are to be made until the temporarily restricted community donations portion of the fund reaches a corpus balance of \$3,000,000. Annually, thereafter, 50% of investments income may be spent; the other 50% is to be added to corpus.
3. The temporarily restricted community donations portion of the corpus is never to be touched except for emergencies.

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 7. Museum Endowment Fund (Continued)

4. Expenditures will require approval by the Louisiana Museum Foundation Board of Directors. Subsequent to year end, the policy was clarified to require 100% approval of a quorum by the Louisiana Museum Foundation Board of Directors at a full board meeting.

Activity in the Museum Endowment Fund was as follows:

	Temporarily Restricted	Unrestricted	Total
Balance, July 30, 2008	\$ 1,703,936	\$ 380,429	\$ 2,084,365
Interest and Dividends	104,878	23,416	128,294
Net Unrealized Loss on Investments	(345,034)	(77,034)	(422,068)
Balance, June 30, 2009	<u>1,463,780</u>	<u>326,811</u>	<u>1,790,591</u>
Interest and Dividends	42,305	9,441	51,746
Net Unrealized Gain on Investments	145,130	32,399	177,529
Transfers	-	(1,510)	(1,510)
Balance, June 30, 2010	<u>\$ 1,651,215</u>	<u>\$ 367,141</u>	<u>\$ 2,018,356</u>

Note 8. Concentration of Credit Risk

The Foundation maintains its cash balance at several financial institutions located in New Orleans, Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2010, the uninsured balance of cash was approximately \$141,433.

Note 9. Accounting for Uncertain Tax Positions

On January 1, 2009, the Foundation adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. The implementation of this Topic had no impact on the statement of financial position or statement of activities.

All tax returns have been appropriately filed by the Foundation. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2006 through 2009. Management evaluated the Foundation's tax position and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

LOUISIANA MUSEUM FOUNDATION

Notes to Financial Statements

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued which was December 9, 2010. Management noted that subsequent to year end, the Louisiana State Museum requested the portion of the Museum Endowment Fund attributable to the Museum including interest earned to date on those monies be released to help fund a major permanent exhibit. The Foundation Board voted unanimously to allow the funds, totaling approximately \$800,000, to be set up in a new separate fund named "Louisiana Museum Foundation Revolving Grant Account" for use by the Museum.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Louisiana Museum Foundation
New Orleans, Louisiana

We have audited the financial statements of Louisiana Museum Foundation (the Foundation) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

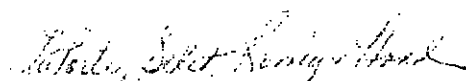
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting as Item 10-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Foundation's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than specified parties.



A Professional Accounting Corporation

December 9, 2010

LOUISIANA MUSEUM FOUNDATION

Schedule of Findings and Responses For the Year Ended June 30, 2010

Section I - Summary of Auditor's Reports

Financial Statements

- | | | |
|----|--|-------------|
| 1. | Type of auditors' report | Unqualified |
| 2. | Internal control over financial reporting | |
| a. | Material weaknesses identified | None |
| b. | Significant deficiencies identified not considered to be material weaknesses | Yes |
| c. | Noncompliance material to the financial statements noted | None |

Federal Awards - Louisiana Museum Foundation did not expend Federal awards in excess of \$500,000 during the year ended June 30, 2010 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Management Letter - None issued.

Section II - Financial Statement Findings

10-01 Preparation of Financial Statements and Disclosures

- | | |
|------------------------|---|
| <i>Criteria:</i> | If the auditors prepare the financial statements, auditing standards require that an entity's management function is to review, approve and accept responsibility for their financial statements accompanying the audit report prior to their issuance. This would require the Foundation to have someone with the technical expertise and knowledge to either prepare financial statements and all disclosures in accordance with generally accepted accounting principles, or review, approve and accept responsibility for the financial statements. |
| <i>Condition:</i> | Financial statements and required disclosures were prepared by the auditors. |
| <i>Effect:</i> | The independent auditor cannot be a part of the Foundation's internal control over financial reporting. |
| <i>Cause:</i> | Management does not consider the benefit of this recommendation to outweigh the cost of implementation. |
| <i>Recommendation:</i> | The Foundation should consider the need for having someone with the technical expertise and knowledge to prepare financial statements and all disclosures in accordance with generally accepted accounting principles. |

LOUISIANA MUSEUM FOUNDATION

**Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2010**

Section II - Financial Statement Findings (Continued)

10-01 Preparation of Financial Statements and Disclosures (Continued)

*Management's
Response:*

The Foundation has not hired an individual with the expertise necessary to prepare financial statements and related disclosures. Management does not consider the benefit of this recommendation to outweigh the cost of implementation. The Foundation has taken steps to address this finding by utilizing personnel with over 13 years of bookkeeping experience in the accounting position. The Foundation will consider further training for this individual in order to eventually resolve this finding.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

LOUISIANA MUSEUM FOUNDATION

Schedule of Prior Year Findings For the Year Ended June 30, 2010

Section I - Internal Control and Compliance Material to the Financial Statements

09-01 Preparation of Financial Statements and Disclosures

Finding: The auditor prepared the financial statements and required disclosures for the Foundation. The Foundation should consider the need for having someone with the technical expertise and knowledge to prepare financial statements and all disclosures in accordance with generally accepted accounting principles.

Current Status: Unresolved. See finding 10-01.

Section II - Internal Control and Compliance Material to Federal Awards

No findings or questioned costs were reported during the audit of the financial statements for the year ended June 30, 2009.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2010.

LOUISIANA MUSEUM FOUNDATION

**Management's Corrective Action Plan
For the Year Ended June 30, 2010**

See Management's Response in finding 10-01 in Section II of the Schedule of Findings and Responses.